

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice FLP-15

1941-A, 1943-A, 1945-D

For: FSA Offices

Financing Personal Vehicles

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

FmHA Instruction 1941-A, section 1941.19(c)(5); FmHA Instruction 1943-A, section 1943.19(d)(4); and FmHA Instruction 1945-D, section 1945.169(d)(4), specifically state that a lien shall not be taken on personal vehicles necessary for family living and farm operating purposes.

FmHA Instruction 1941-A, section 1941.19(a)(1); FmHA Instruction 1943-A, section 1943.(b)(1); and FmHA Instruction 1945-D, section 1945.169(a)(1), require that a first lien be taken on all property or products acquired, produced, or refinanced with loan funds and property that cannot be included in a real estate lien.

These 2 requirements taken together prohibit FSA from financing all personal vehicles. These requirements do **not**, however, restrict FSA from financing vehicles which are used the majority of the time or exclusively for farm operating purposes, if FSA is able to perfect a first lien on the vehicle financed.

B

Purpose

This notice:

- reminds State and County Offices of the prohibition against making loans for personal vehicles
- outlines the steps to be taken when making a loan for vehicles which are used majority of the time or exclusively for farm operating purposes

Disposal Date

December 1, 1999

Distribution

All FSA Offices; State Offices relay to County Offices

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2 Action

A Loan Approval Officer Action

Loan Approval Officers **shall not**:

- approve loans on personal vehicles used for family living or farm operating purposes
- take a lien on a personal vehicle.

Loan Approval Officials **may** approve loans for the purchase, repair, or refinancing of vehicles used for farm purposes when the official:

- verifies and documents that the vehicle shall be used the **majority** of the time or **exclusively** for farm operating purposes

Note: The income tax treatment of a vehicle is a good indication of its use. If the vehicle is or will be depreciated as a farm asset, FSA financing is authorized.

Example: Grain or livestock hauling trucks, vehicles needed to pull wagons or livestock trailers, a pickup used exclusively for farm business are all examples of farm operating purposes.

- documents the **need** for the purchase, repair, or refinancing
- thoroughly documents that other credit is not available from usual sources, including dealers and banks

Note: When a vehicle is being purchased, dealer and bank financing is usually readily available, often at very low rates.

- documents that the vehicle being purchased, repaired, or refinanced is **modest in size and utility** and meets the **need** of the operation.

A security interest in the vehicle shall be perfected according to State laws. State Instructions to FmHA Instruction 1941-B shall specify the procedure to perfect a lien on a motor vehicle.

B Contact

State Offices with questions about this notice may contact Chuck Ropp or Mike Hinton, LMD, at 202-720-1472.
